BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: June 15, 2005 Division: Management Services

Bulk Item: Yes X No ___ Department: Administrative Services

Department Contact: Tina Boan

AGENDA ITEM WORDING:

Approval of an amendment to increase the contract for KPMG LLP to update the Fiscal Year 2005 and the Fiscal Year 2006 Full Cost Allocation Plans and the OMB A-87 Cost Allocation Plan in the amount of $7,100.00.

ITEM BACKGROUND:
Full cost allocation reduces ad valorem taxes by recovering indirect costs from non-ad valorem revenue funds and corrects for indirect cost subsidy to special taxing districts.

PREVIOUS RELEVANT BOCC ACTION:
Approval of acceptance, and execution for renewal of services at the August 18, 2004 BOCC.

CONTRACT/AGREEMENT CHANGES:
Additional fees of $7,100.00 added for tasks 7 through 12.

STAFF RECOMMENDATIONS:
Approval

TOTAL COST: $7,100.00 **BUDGETED:** Yes X No ___

COST TO COUNTY: $7,100.00 **SOURCE OF FUNDS:** 001-06001-530340

REVENUE PRODUCING: Yes ___ No X **AMOUNT PER MONTH** ___ **Year** ___

APPROVED BY: County Atty SH OMB/Purchasing ___ Risk Management ___

DIVISION DIRECTOR APPROVAL: Sheila A. Barker
Sheila A. Barker

DOCUMENTATION: Included X To Follow ___ Not Required ___

DISPOSITION: ___ **AGENDA ITEM #** ___

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

CONTRACT SUMMARY

Contract with: KPMG, LLP.

Effective Date: August 18,2004

Expiration Date: N/A when two plans are complete.

Contract Purpose/Description:

Amendment to current agreement to increase the contract from an amount not to exceed $29,000 to an amount not to exceed $36,100. This increased amount of $7,100 will allow for a more intensive and detailed report of task items 7 through 12.

Contract Manager: Salvatore Zappulla (Name) 4444 (Ext.) OMB/ Stop #1 (Department/Stop #)

for BOCC meeting on 6/15/05 Agenda Deadline: 5/31/05

CONTRACT COSTS

Total Dollar Value of Contract: $ 36,100.00 Current Year Portion: $ 36,100.00

Budgeted? Yes ☒ No ☐ Account Codes: 001-06001-530340

Grant: $ N/a

County Match: $

ADDITIONAL COSTS

Estimated Ongoing Costs: $0.00/yr (Not included in dollar value above)

For: (eg. maintenance, utilities, janitorial, salaries, etc.)

CONTRACT REVIEW

	Date In	Changes Needed	Reviewer	Date Out
Division Director		Yes ☐ No ☐	Sheila Barker	5-31-05
Risk Management	5-25-05	Yes ☐ No ☑	M Slavik	5-25-05
O.M.B./Purchasing	5-26-05	Yes ☐ No ☐	Sheila A Barker	5-31-05
County Attorney	5/25/05	Yes ☐ No ☑	S Hutton	5/25/05

Comments: form OK but not clear what the $7,100 extra covers. Attach whatever document says is being requested in the way of additional service. attached ✓

OMB Form Revised 2/27/01 MCP #2

KPMG LLP
Suite 1600
111 North Orange Avenue
PO Box 3031
Orlando, FL 32802

Telephone 407 423 3426
Fax 407 648 8557
Internet www.us.kpmg.com

April 26, 2005

Mr. Sal Zapulla, Budget Director
Monroe County Government
Office of Management and Budget
100 Simonton Street
Room 2-268
Key West, Florida 33040

RE: Addendum to Cost Allocation Engagement Letter Dated July 21, 2004

We are currently assisting the County in preparing the indirect cost allocation plans for FYE 2003 and FYE 2004. The County has requested that KPMG allocate additional resources for Tasks 7 through Task 12. The engagement procedures and deliverables will be the same as in the original Engagement Letter. This amendment is subject to the standard terms and conditions included as an attachment in the original July 21, 2004 engagement letter. The additional fee for this service will be $7,100 and will be invoiced upon delivery of the FYE 2004 draft report.

We appreciate the opportunity to present this addendum to Monroe County. If you should have any questions, please contact David Jahosky at (407) 563-3376 or me at (404) 222-3629.

Very truly yours,

KPMG LLP

Don Carter

Don Carter
Senior Manager

ACCEPTED

Monroe County, Florida

Authorized Signature

Title

Date

MONROE COUNTY ATTORNEY
APPROVED AS TO FORM
SUZANNE A. HUTTON
ASSISTANT COUNTY ATTORNEY
Date 5/25/05

Zappulla-Sal

From: Yoki, Aharon W [ayoki@kpmg.com]
Sent: Tuesday, May 31, 2005 3:00 PM
To: 'Zappulla-Sal@MonroeCounty-FL.Gov'
Subject: RE: KPMG Cost Allocation

Sal,

In response to your email from earlier today and questions from the county attorney regarding the additional resources that will be involved with the modification of the plan , the addendum includes an additional 41 hours at the staff level and 8 hours at the manager level.

Tasks 7 - 12 relate to data gathering and plan preparation for Monroe County's Cost Allocation Plan. Additional KPMG resources are described as follows:

The budget office requested a change in the plan output structure from previous plans that would consolidate various direct cost pools and we confirmed how this data would be used during several meetings with the Clerk Finance Office.

Additional staff time is spent conducting additional interviews with various county departments to gain a greater understanding of how restructuring of the plan would benefit the individual departments. During meetings with various County departments we reviewed the information requested from those departments for previous plans and inquired into other statistical data that the County departments could provide including the structure of reports and nature of the information that County departments could provide.

KPMG will modify the structure of the plan within the Cost Determination Model software in order to provide the County with the requested changes in the plan. Several hours of time are required to prepare these modifications within the software.

Several additional hours of manager review time are required by our internal quality review standards in order to assess the changes from the previous plan.

I hope this helps answer your questions. Please let me know if I can be of further assistance.

Aharon

Aharon Yoki
KPMG Risk Advisory Services
407-563-3339 - Office
321-277-2544 - Cell
407-648-8557 - Fax

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

CONTRACT SUMMARY

Contract #

Contract with: KPMG

Effective Date: August 18, 2004

Expiration Date: N/A when two plans are complete

Contract Purpose/Description: To update the Fiscal Year 2005 and 2006 OMB A-87 and full cost allocation plans. These cost allocation plans will utilize fiscal year 2003 and fiscal year 2004 actual expenditures.

Contract Manager: Salvatore Zappulla (Name) 4444 (Ext.) Administrative Services (Department)

for BOCC meeting on 8/18/2004 Agenda Deadline: 8/03/04

CONTRACT COSTS

Total Dollar Value of Contract: $29,000 Current Year Portion: $29,000

Budgeted? Yes ☒ No ☐ Account Codes: 001-06001-530340-_____-_____

Grant: $_____

County Match: $_____

ADDITIONAL COSTS

Estimated Ongoing Costs: $_____/yr For: _____

(Not included in dollar value above) (eg. maintenance, utilities, janitorial, salaries, etc.)

CONTRACT REVIEW

	Date In	Changes Needed	Reviewer	Date Out
Division Director		Yes ☐ No ☑	Sheila A Barker	7/29/04
Risk Management	7/29/04	Yes ☐ No ☑	[illegible]	7/29/04
O.M.B./Purchasing		Yes ☐ No ☒	Salvatore Zappulla	7/29/04
County Attorney	7/29/04	Yes ☐ No ☑	[illegible]	7/30/04

Comments:_____

OMB Form Revised 9/11/95 MCP #2

KPMG

KPMG LLP
Suite 1600
111 North Orange Avenue
PO Box 3031
Orlando, FL 32802

Telephone 407 423 3426
Fax 407 648 8557

July 21, 2004

Ms. Sheila A. Barker
Division Director – Management Services
100 Simonton Street
Room 2-268
Key West, Florida 33040

Dear Ms. Barker:

KPMG LLP (KPMG) is pleased to submit this proposal to Monroe County, Florida (the County), for the provision of professional consulting services related to assisting with the development and preparation of Full Cost and OMB Circular A-87 Allocation Plans for the County for FYE 2003 and FYE 2004. Our standard Terms and Conditions are attached to this letter, and become part of the agreement between KPMG LLP and Monroe County government.

The OMB Circular A-87 plan will be prepared in accordance with Office of Management and Budget Circular A-87, *Cost Principles for State and Local Governments*, as well as all other applicable federal and state laws, regulations, and procedures, and will be used for charging indirect costs to the County's federal grant programs. The second plan will be a "full-cost" plan for use in allocating indirect costs to enterprise funds, internal service funds, and certain special revenue funds that are supported by user fees. KPMG will submit the OMB Circular A-87 Cost Allocation Plan to the County's federal cognizant agency, if requested by that agency, and provide any necessary testimony or negotiation with state and federal agencies regarding the plan. Please note that current OMB Circular A-87 regulations do not require the County to submit its cost allocation plan for negotiation and approval unless specifically requested by its federal cognizant agency.

In order to support charges to sponsored programs, the County is required to follow certain federal regulations governing the charging of direct costs to federal programs. Furthermore, in accordance with OMB Circular A-87, the County recovers a portion of its indirect costs via indirect cost rates applied to sponsored programs conducted within its departments and programs. The County is concerned with instituting an indirect cost recovery methodology, which optimizes the reimbursement of indirect costs incurred in support of federal and state grants and contracts.

Why should Monroe County choose the KPMG Team to provide indirect cost consulting assistance in the development of the County's Cost Allocation Plans? The KPMG Team has the professional qualifications, experienced staff resources, and automated systems necessary for the development of cost allocation plans which will identify and allow recovery of all of the County's indirect costs attributable to federal programs and enterprise activities. The KPMG Team maintains the following capabilities critical to the success of this engagement:

- The most experienced cost allocation team in Florida;
- The most experience with Federal OMB Circular A-87;
- The only cost allocation system designed by CPA's; and
- Commitment to continuity of assigned staff.

The most experienced cost allocation team in Florida. The KPMG Team assembled has had extensive experience in conducting cost allocation studies for cities and counties. All team members have prepared numerous cost allocation plans and have experience negotiating indirect cost rates. These qualifications are extremely important since the County is undertaking a significant cost accounting project.

The most experience with Federal OMB Circular A-87. KPMG resources include Mr. Norwood "Woody" Jackson, a former high level Federal official who literally "wrote the book" on OMB Circular A-87, the cost principles for state and local government. Also in KPMG are former officials who were responsible for the review and approval of thousands of indirect cost allocation plans. No other firm has this knowledge or experience relative to OMB Circular A-87.

The only cost allocation system designed by CPA's. Our user friendly, PC based Cost Determination Model (CDM) is the most advanced cost allocation system available in the government marketplace. CDM schedules tie back to the financial statements and provide an easy to read format to facilitate plan audit and review. We routinely provide a complete set of working papers that tie to the CDM schedules.

Commitment to continuity of assigned staff. KPMG believes that the time involvement of County staff related to this project should be kept to a minimum as is reasonably necessary for project completion. An important step in meeting this goal should be that the County should not have to "retrain" new staff each year. Therefore, KPMG commits to having the same people assist the County with the preparation of the plans for the entire duration of the contract (including renewals), unless requested otherwise by the County.

KPMG will commit to completing the plans, including printing of the reports, within 90 calendar days of initiation of fieldwork. Furthermore, draft results will be furnished to the

KPMG

County within 75 calendar days of initiation of fieldwork. This time frame is, of course, dependent upon the timeliness of requested information to be furnished by the County.

Our fees for professional services are based on the time and staffing requirements of the engagement, and include all expenses incurred by us. Our total contract costs to perform the professional consulting services for the FYE 2003 and FYE 2004 plans will not exceed $29,000. The engagement fee will be billed to the County as follows: 50% of the fee thirty days after the initiation of fieldwork, 25% upon delivery of the draft plans, and 25% upon delivery of the final plans.

KPMG is currently contracted with the State of Florida Department of Management Services (Consulting Services for Management Skills, contract number 973-001-00-1) that the County may use in lieu of a formal request for proposal. To confirm acceptance of this renewal letter and your authorization to procees with this project, please sign one original in the space provided and return to me at your earliest convenience.

We appreciate the opportunity to present this proposal to Monroe County. We look forward to discussing our proposal with you and especially to performing these important services for the County. If you should have any questions, please contact me at (404) 222-3629.

Very truly yours,

KPMG LLP

Don Carter

Don Carter
Senior Manager

(SEAL)
ATTEST: DANNY L. KOLHAGE, CLERK
BY Pamela Hancock
DEPUTY CLERK

Accepted: Murray E Nelson

Title: Mayor

Date: 8/18/04

PUBLIC ENTITY CRIME STATEMENT

"A person or affiliate who has been placed on the convicted vendor list following a conviction for public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list."

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ASSISTANCE IN PREPARING FULL COST AND OMB CIRCULAR A-87 COST ALLOCATION PLANS

MONROE COUNTY, FLORIDA

CONTENTS

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I. SCOPE OF WORK

Engagement Objective

The objective of this engagement is to maximize the potential recovery of indirect costs from special revenue fund (including federal and state grants), enterprise fund, and internal service fund programs operated by Monroe County and to ensure, through the rate development process, that the County equitably distributes its costs and develops rates to ensure a reasonable cost recovery. To meet this objective, KPMG proposes to assist the County as follows:

- **Phase I** – Development and preparation of the County's OMB Circular A-87 Cost Allocation Plan based on actual data in accordance with the provisions of OMB Circular A-87. The Plan will contain a determination of total costs for providing each supporting service (e.g.: Purchasing, County Attorney, Finance, Human Resources, Facilities Management, etc.)

- **Phase II** – Development and preparation of the County's Full Cost Allocation Plan based on actual data. The Plan will be prepared in accordance with the full costing concepts, which recognizes and incorporates all central service expenditures of County departments and offices, including "general government" costs.

- **Phase III** – Provide any necessary assistance and/or testimony to the County in negotiating the OMB Circular A-87 Cost Allocation Plan with the County's federal cognizant agency.

Work Plan Approach

The phases and related tasks described in this section outline the approach the KPMG Team will initiate to meet the engagement objective. It is anticipated that one week of on-site fieldwork at the County's offices will be required for this project. Interviews conducted with County personnel during this time are typically 30 to 45 minutes for each central service department identified for allocation in the plan.

Phase I.A – Development of the County's OMB Circular A-87 Cost Allocation Plan

Task 1: Meet with appropriate representatives of County departments that are charged indirect costs in order to obtain feedback on the allocations used in the County's previous cost allocation plan. (Week 1)

Task 2: Organize a project team comprised of KPMG Team personnel and at least one County staff member. This staff member will be required to provide liaison services with all other County departments, which will entail scheduling appointments and introductions with interviewees. (Week 1)

Task 3: Provide the County with a list of suggested allocation statistics before the commencement of fieldwork to expedite the data collection process related to the plan. (Week 1)

Task 4: At the County's request, conduct a workshop for the County's central service departments to assist them in understanding the purposes of the study and the types of data needed for the project. (Week 2)

Task 5: Review the County's current methodology to developing the Cost Allocation Plan. A review will be made regarding the accumulation and allocation of all central service and departmental administrative costs. (Week 2)

Task 6: Identify all direct operating cost centers, classify various services performed, products delivered, etc., and determine the contribution of central services to their support. (Weeks 2 through 3)

Task 7: Review the County's previous methodology of distributing costs to determine appropriateness and to identify areas that may be improved to maximize recovery. We will also investigate strategies and procedures previously implemented by the County that may be superior, in terms of potential recovery, to strategies and procedures that would otherwise be implemented. (Weeks 2 through 4)

Task 8: Conduct interviews with appropriate central service departments to determine the services being provided to County departments. (Week 2)

Task 9: Prepare work paper formats in order to secure the financial data necessary to develop the central service indirect cost pools. (Weeks 2 through 5)

Task 10: Analyze County expenditures to determine the costs which comprise the indirect cost pools. (Weeks 2 through 6)

Task 11: Determine the allowable costs for providing each supporting service. Supporting services include such departments as: Purchasing, Legal Counsel, Finance, Human Resources, Facilities Management, etc. (Weeks 2 through 6)

Task 12: Determine the appropriate statistical allocation bases to be utilized based on reasonableness and maximum potential recovery. We will prepare work papers in order to collect the appropriate statistical data to be used as bases of allocation for the indirect cost pools. The selection of an allocation base is unique to the type of cost being distributed. Major allocation bases may include:

- Direct Assignment

- Square Footage
- Full-time Equivalent Personnel
- Number of Accounting Transactions
- Actual Percentage of Effort
- Insured Employees and Insurance Values
- Actual Billings and Purchase Orders

(Weeks 2 through 6)

Task 13: Review the accumulation of central services costs, indirect cost pools, and statistical allocation bases for appropriateness. (Weeks 2 through 6)

Task 14: Prepare a final cost allocation plan methodology to develop the County's OMB Circular A-87 Allocation Plan. (Week 7)

Phase I.B – Preparation of the County's OMB Circular A-87 Cost Allocation Plan

Task 1: Prepare all data that must be entered into KPMG's Cost Determination Model (CDM) system. (Weeks 7 through 9)

Task 2: Enter the County's financial data into the CDM system. (Week 8)

Task 3: Review the reconciliation to the financial statements utilized in the Cost Allocation Plan. (Week 8)

Task 4: In accordance with OMB Circular A-87, prepare any adjustments necessary to distribute direct and indirect costs to the appropriate categories. (Week 8)

Task 5: Enter the allocation base statistical information into the CDM system. (Week 9)

Task 6: After entering all necessary data into the CDM system, the model will perform a step-down allocation using the double apportionment methodology and develop the associated supporting schedules necessary to prepare the County's indirect cost rates. (Week 10)

Task 7: Prepare the County's OMB Circular A-87 Cost Allocation Plan, including financial and statistical schedules, and all necessary narratives and explanations. The Plan will include the following:

- An organization chart showing all divisions and units of the County.
- Financial and statistical schedules identified as follows:

- **Total Costs Report** that identifies the total operating costs of the County by fund category and agrees to the County's financial statements.

- **Unallowable Costs Report** which identifies the total unallowable costs of the County by fund category per the applicable provisions of OMB Circular A-87.

- **Allowable Costs Report** which identifies the total allowable costs of the County.

- **Stepdown Allocation Report** that identifies the portion of indirect costs allocated to each direct cost objective and indirect cost pool using the double apportionment methodology.

- **Summary of Allocation Bases** that identifies the allocation base statistical data associated with each indirect cost pool.

- **Apportionment Reports** that identify the total costs of each indirect cost pool and their allocation to benefiting direct and indirect activities.

- **Reconciliation Reports** that identify the total financial statement costs of the indirect cost pools, the addition of use allowances, and the deduction of unallowable costs by category.

- **Indirect Cost Rate Reports** that identify the calculated indirect cost rate for each direct cost objective.

■ Narratives and explanations that identify the nature and extent of services provided by each indirect cost pool.

(Week 10)

Task 8: Submit a draft copy of the plan to appropriate County personnel for review. Delivery of the draft report will occur no later than 75 days after initiation of fieldwork. (Week 10)

Task 9: At the County's request, conduct a workshop for County departments that will be charged indirect costs to assist with their understanding of the indirect cost charge calculations. This workshop will also allow these departments to critique the plan, which will result in greater acceptance of their indirect cost charges. (Week 11)

Task 10: Incorporate changes recommended by County personnel and provide six copies of the final report, including the appropriate indirect cost rate schedules. Delivery of the final report will occur no later than 90 days after initiation of fieldwork. (Week 12)

Task 11: Draft a letter for use by the County in notifying the County's federal cognizant agency that the cost allocation plan has been completed for the appropriate fiscal year and is available for review. (Week 12)

Phase II – Development and Preparation of the County's Full Cost Allocation Plan

KPMG will follow the tasks outlined in Phase I, as required. In this phase, however, we will develop and prepare the Plan in accordance with full costing concepts that recognize and incorporate all central service expenditures of the County, including "general government" expenditures (which are only unallowable for purposes of claiming indirect costs related to federal grants).

Phases II and I as identified in this section of our proposal will be provided to the County in the order that is deemed most appropriate by County officials. The required steps for the development of both cost allocation plans are quite similar in scope.

Phase III – Negotiation of the County's OMB Circular A-87 Cost Allocation Plan (if required by the County's federal cognizant agency).

Task 1: We will provide technical support as needed and answers to federal/state review questions prior to negotiations. (As Needed)

Task 2: We will meet with County personnel from the Finance Department responsible for negotiating the indirect cost rate to discuss negotiation strategy. (As Needed)

Task 3: We will provide any necessary testimony or negotiations to satisfy State and Federal agencies regarding the cost allocation plan for a period of three years. (As Needed)

Phase	Description	Week											
		1	2	3	4	5	6	7	8	9	10	11	12
Phase I.A	*Development of OMB Circular A-87 Cost Allocation Plan*												
Phase I.B	*Preparation of OMB Circular A-87 Cost Allocation Plan*												
Phase II.A	*Development of Full Cost Allocation Plan*												
Phase II.B	*Preparation of Full Cost Allocation Plan*												

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Phase III	*Negotiation of OMB Circular A-87 Cost Allocation Plan*	**As Needed Upon Completion of Plans**

Additional considerations

It has been our experience that the County's participation is necessary for this type of engagement to be successful. It is imperative that we receive timely cooperation regarding requested data so that effective use may be made of KPMG and County resources, as well as the CDM system. We will also require temporary office space and telephone services for local calls while on-site. Additionally, we understand that it is our responsibility to provide our own computer hardware and software, supplies, clerical support, and data entry support, and that no County staff or equipment will be provided for this project except as interviewees.

The majority of work to be performed will take place on-site at the County or at our Orlando office. Initially, we will gather financial and statistical information from the County on-site which will then be taken to our KPMG offices for further evaluation. The computer capabilities of our office are extensive and specifically tailored for the design and implementation of cost allocation plans and indirect cost rate proposals.

At the conclusion of the engagement, KPMG will provide the County with a final document detailing the source data, methodology, and results of the Cost Allocation Plans. The document will include a summary of any major changes (if applicable) from the previous year's plans, including, but not limited to, changes due to OMB rule changes, changes in the components to be allocated, changes in allocation criteria, or any major differences in methodology.

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II. KPMG SOFTWARE CAPABILITIES

Cost Determination Model

Each year, in order to recover indirect costs applicable to federal grants and contracts, as well as to identify costs incurred in support of special revenue (including federal and state grants), enterprise, and internal service fund activities, state and local governments must develop a cost allocation plan for submission to its cognizant federal/state agency. The cost allocation plan requires extensive data gathering and analysis and does not lend itself to quality review and testing if manually prepared. In response to this time-consuming analytical effort, KPMG has developed an automated indirect cost allocation model, the Cost Determination Model (CDM). CDM allows the user to create different costing scenarios without expending a great deal of time. It is designed to be an effective management tool by providing essential information during the preparation and negotiation of indirect cost proposals. Specific exclusive features of CDM include the following:

- **Reconciliation** – Enters and adjusts financial statement data, creates allocation format, and establishes indirect cost pools and direct cost objectives.
- **Automated Worksheet** – Accumulates and calculates statistics for the allocation of indirect costs.
- **Step-down Analysis** – Performs the allocation of costs using the single or double apportionment methodologies and generates necessary reports.
- **Indirect Cost Pools Rate Analysis** – Calculates appropriate departmental and fringe benefit rates.
- **"What - If" Analysis** – Permits the reformatting of information to test new sets of variables without affecting the original information, such as use of alternative allocation statistics in determining optimum benefits.

In addition to the preparation of a state or local government's indirect cost rates, the CDM system can be used to perform the following:

- **Comprehensive Cost Plans** – Cost allocation plans can be initially prepared consistent with federal regulations or reformatted to conform with full costing principles which consider all central service expenditures.
- **Contribution Analysis** – Governmental entities may use the system to determine the relative performance of a program or project by generating reports that analyze the revenues and expenditures of the entity by each program or project and their operating contribution.

- **Program Costing** – CDM allows governmental entities to fully cost, according to their own definitions, a program, project, division, etc.

- **Budgeting** – The system will accept actual or budget data. This allows for the capability of analyzing the impact of changes in the budget or budget statistics easily and effectively.

- **Pricing Analysis** – Cost data generated by CDM can be used to analyze procedures for user or service fees. Price structures would be developed from the same comprehensive and integrated database used to compute the indirect cost proposal.

Specific features of CDM to support detail cost analysis and allocations related to the development of user fees or internal billing rates allow for the following:

- Functionalization of a department into specific cost centers or subunits.

- Performance of discrete analysis and costing of each cost center or subunit.

- Distribution of specific incoming costs to applicable cost centers or subunits, thereby not requiring all cross allocated edits to be distributed on a single basis.

- Separate identification and distribution of general department administration to applicable cost centers or subunits on a desired basis.

KPMG's CDM system was developed using a Relational Data Base Management System (DBMS) called Advanced Revelation. The relational DBMS environment provides the end user with a user-friendly system in a versatile and flexible environment and allows the user to generate additional reports by using simple English commands.

KPMG will use the CDM system as an aid in the preparation and development of the County's cost allocation plans.

KPMG LLP
Standard Terms and Conditions
Advisory Services

1. **Services.** It is understood and agreed that KPMG's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. References herein to Client shall refer to the addressee of the Proposal or Engagement Letter to which these Standard Terms and Conditions are attached (the "Engagement Letter").

2. **Payment of Invoices.** Client agrees to pay properly submitted invoices within thirty (30) days of the invoice date, or such other due date as may be indicated in the Engagement Letter. KPMG shall have the right to halt or terminate entirely its services under the Engagement Letter until payment is received on past due invoices. All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added or other applicable taxes, tariffs or duties, payment of which shall be Client's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.

3. **Term.** Unless terminated sooner in accordance with its terms, the engagement shall terminate upon the completion of KPMG's services under the Engagement Letter. In addition, either party may terminate the Engagement Letter at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination.

4. **Ownership.**

   (a) KPMG Property. KPMG has created, acquired, owns or otherwise has rights in, and may, in connection with the performance of services under the Engagement Letter, employ, provide, modify, create, acquire or otherwise obtain rights in, various concepts, ideas, methods, methodologies, procedures, processes, know-how, and techniques, models, templates; software, user interfaces and screen designs; general purpose consulting and software tools, utilities and routines; and logic, coherence and methods of operation of systems (collectively, the "KPMG Property"). KPMG retains all ownership rights in the KPMG Property. Client shall acquire no right or interest in such property, except for the license expressly granted in the next paragraph. In addition, KPMG shall be free to provide services of any kind to any other party as KPMG deems appropriate, and may use the KPMG Property to do so. KPMG acknowledges that KPMG Property shall not include any of Client's confidential information or tangible or intangible property, and KPMG shall have no ownership rights in such property.

   (b) Ownership of Deliverables. Except for KPMG Property, and upon full and final payment to KPMG under the Engagement Letter, the tangible items specified as deliverables or work product in the Engagement Letter including any intellectual property rights appurtenant thereto (the "Deliverables") will become the property of Client. If any KPMG Property is contained in any of the Deliverables, KPMG hereby grants Client a royalty-free, paid-up, non-exclusive, perpetual license to use such KPMG Property in connection with Client's use of the Deliverables.

5. **Limitation on Warranties. THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES UNDER THE ENGAGEMENT LETTER IN GOOD FAITH, WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

6. **Limitation on Damages.** Except for each party's indemnification obligations as set forth below, neither Client nor KPMG shall be liable to the other for any actions, damages, claims, liabilities, costs, expenses or losses in any way arising out of or relating to the services performed under the Engagement Letter for an aggregate amount in excess of the fees paid or owing to KPMG for services rendered by KPMG under the Engagement Letter. In no event shall either party be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). The provisions of this Paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort or otherwise.

7. **Infringement.**

   (a) KPMG hereby agrees to indemnify, hold harmless and defend Client from and against all claims, liabilities, losses, expenses (including reasonable attorneys' fees), fines, penalties, taxes or damages (collectively "Liabilities") asserted by any third party against Client to the extent such Liabilities result from the infringement by the Deliverables of any third party's patents issued as of the date of the Engagement Letter, trade secrets, trademarks or copyrights. The preceding indemnification provision shall not apply to any infringement arising out of the following:

(i) use of the Deliverables other than in accordance with applicable documentation or instructions supplied by KPMG or other than in accordance with Paragraph 8(b);

(ii) any alteration, modification or revision of the Deliverables not expressly agreed to in writing by KPMG; or

(iii) the combination of the Deliverables with materials not supplied or approved by KPMG.

(b) In case any of the Deliverables or any portion thereof is held, or in KPMG's reasonable opinion is likely to be held, in any such suit to constitute infringement, KPMG may, within a reasonable time, at its option either:

(i) secure for Client the right to continue the use of such infringing item; or

(ii) replace, at KPMG's sole expense, such item with a substantially equivalent non-infringing item or modify such item so that it becomes non-infringing.

In the event KPMG is, in its reasonable discretion, unable to perform either of options described in (i) or (ii) above, Client shall return the Deliverable to KPMG, and KPMG's sole liability shall be to refund to Client the amount paid to KPMG for such item; provided that the foregoing shall not be construed to limit KPMG's indemnification obligation set forth in Paragraph 7(a) above.

(c) The provisions of this Paragraph 7 state KPMG's entire liability and Client's sole and exclusive remedy with respect to any infringement or claim of infringement.

8. **Indemnification.**

(a) Each party agrees to indemnify, hold harmless and defend the other party from and against any and all Liabilities for physical injury to, or illness or death of, any person or persons regardless of status, and damage to or destruction of any tangible property, which the other party may sustain or incur, to the extent such Liabilities result from the negligence or willful misconduct of the indemnifying party.

(b) Except as otherwise required by law, as permitted by the Engagement Letter, or as provided in Paragraph 13(e) below with respect to any proposed or completed transaction, Client acknowledges and agrees that any advice, recommendations, information or work product provided to Client by KPMG in connection with this engagement is for the confidential use of Client, may not be relied upon by any third party and Client will not disclose or permit access to such advice, recommendations, information or work product to any third party or summarize or refer to such advice, recommendations, information or work product or to KPMG's engagement under the Engagement Letter without, in each case, KPMG's prior written consent. In furtherance of the foregoing, Client will indemnify, defend and hold harmless KPMG from and against any and all Liabilities suffered by or asserted against KPMG in connection with a third party claim to the extent resulting from such party's use or possession of or reliance upon KPMG's advice, recommendations, information or work product as a result of Client's use or disclosure of such advice, recommendations, information or work product.

(c) The party entitled to indemnification (the "Indemnified Party") shall promptly notify the party obligated to provide such indemnification (the "Indemnifying Party") of any claim for which the Indemnified Party seeks indemnification. The Indemnifying Party shall have the right to conduct the defense or settlement of any such claim at the Indemnifying Party's sole expense, and the Indemnified Party shall cooperate with the Indemnifying Party. The party not conducting the defense shall nonetheless have the right to participate in such defense at its own expense. The Indemnified Party shall have the right to approve the settlement of any claim that imposes any liability or obligation other than the payment of money damages.

9. **Cooperation; Use of Information.**

(a) Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide KPMG with timely access to and use of Client's personnel, facilities, equipment, data and information to the extent necessary for KPMG to perform the services under the Engagement Letter. The Engagement Letter may set forth additional obligations of Client in connection with this engagement. Client acknowledges that Client's failure to assign Client personnel having skills commensurate with their role with respect to this engagement could adversely affect KPMG's ability to provide the services under the Engagement Letter.

(b) Client acknowledges and agrees that KPMG may, in performing its obligations pursuant to this Agreement, use data, material, and other information furnished by Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such information in performing the services under the Engagement Letter.

10. **Force Majeure.** Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

11. **Limitation on Actions.** No action, regardless of form, arising out of or relating to this engagement, may be brought by either party more than one year after the cause of action has accrued, except that an action for non-payment may be brought by a party not later than one year following the date of the last payment due to such party under the Engagement Letter.

12. **Independent Contractor.** It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is or shall be considered an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

13. **Confidentiality.**

(a) "Confidential Information" means all documents, software, reports, data, records, forms and other materials obtained by one party (the "Receiving Party") from the other party (the "Disclosing Party") in the course of performing the services under the Engagement Letter: (i) that have been marked as confidential; (ii) whose confidential nature has been made known by the Disclosing Party to the Receiving Party; or (iii) that due to their character and nature, a reasonable person under like circumstances would treat as confidential. Notwithstanding the foregoing, Confidential Information does not include information which: (i) is already known to the Receiving Party at the time of disclosure by the Disclosing Party; (ii) is or becomes publicly known through no wrongful act of the Receiving Party; (iii) is independently developed by the Receiving Party without benefit of the Disclosing Party's Confidential Information; (iv) relates to a U.S. federal corporate income tax strategy offered or proposed to be offered by KPMG as further described in Paragraph 13(e) below or (v) is received by the Receiving Party from a third party without restriction and without a breach of an obligation of confidentiality.

(b) The Receiving Party will deliver to the Disclosing Party all Confidential Information of the Disclosing Party and all copies thereof when the Disclosing Party requests the same, except for one copy thereof that the Receiving Party may retain for its records. The Receiving Party shall not use or disclose to any person, firm or entity any Confidential Information of the Disclosing Party without the Disclosing Party's express, prior written permission; provided, however, that notwithstanding the foregoing, the Receiving Party may disclose Confidential Information to the extent that it is required to be disclosed pursuant to a statutory or regulatory provision or court order or to fulfill professional obligations and standards.

(c) Each party shall be deemed to have met its nondisclosure obligations under this Paragraph 13 as long as it exercises the same level of care to protect the other's information as it exercises to protect its own confidential information but in no event less than reasonable care, except to the extent that applicable law or professional standards impose a higher requirement.

(d) If the Receiving Party receives a subpoena or other validly issued administrative or judicial demand requiring it to disclose the Disclosing Party's Confidential Information, the Receiving Party shall provide prompt written notice to the Disclosing Party of such demand in order to permit it to seek a protective order. So long as the Receiving Party gives notice as provided herein, the Receiving Party shall be entitled to comply with such demand to the extent permitted by law, subject to any protective order or the like that may have been entered in the matter.

(e) Notwithstanding anything to the contrary set forth herein, no provision in the Engagement Letter or these Standard Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of Internal Revenue Code sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of this engagement that reduces or defers federal tax and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. If a state or other jurisdiction adopts provisions that are similar or analogous to those in IRC sections 6011, 6111, or 6112 or the regulations thereunder, the authorization to disclose in the preceding sentence also shall apply to any transaction within the scope of this engagement that is subject to such provisions of that state or other jurisdiction.

14. **Survival**. The provisions of Paragraphs 1, 2, 4, 6, 7, 8, 11, 13, 15, 16, 17, 18 and 19(a) hereof shall survive the expiration or termination of this engagement.

15. **Assignment**. Neither party may assign, transfer or delegate any of its rights or obligations without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, to the extent any of the services under the Engagement Letter will be performed in or relate to a jurisdiction outside of the United States, Client acknowledges and agrees that such services, including any applicable tax advice, may be performed by the member firm of KPMG International practicing in such jurisdiction. Accordingly, Client agrees that KPMG may share data and information received from Client with such member firm as may be required to complete this engagement.

16. **Severability**. In the event that any term or provision of this Agreement shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, and each such term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

17. **Governing Law**. The Engagement Letter and these Standard Terms and Conditions shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws provisions thereof.

18. **Alternative Dispute Resolution**.

    (a) Any dispute or claim arising out of or relating to the Engagement Letter between the parties, the services provided thereunder, or any other services provided by or on behalf of KPMG or any of its subcontractors or agents to Client or at its request (including any dispute or claim involving any person or entity for whose benefit the services in question are or were provided) shall be resolved in accordance with the dispute resolution procedures set forth in Exhibit A attached hereto, which constitute the sole methodologies for the resolution of all such disputes. By operation of this provision, the parties agree to forego litigation over such disputes in any court of competent jurisdiction. Mediation, if selected, may take place at a location to be designated by the parties. Arbitration shall take place in New York, New York. Either party may seek to enforce any written agreement reached by the parties during mediation, or to confirm and enforce any final award entered in arbitration, in any court of competent jurisdiction.

    (b) Notwithstanding the agreement to such procedures, either party may seek injunctive relief to enforce its rights with respect to the use or protection of (i) its confidential or proprietary information or material or (ii) its names, trademarks, service marks or logos, solely in the courts of the State of New York or in the courts of the United States located in the State of New York. The parties consent to the personal jurisdiction thereof and to sole venue therein only for such purposes.

19. **Miscellaneous**.

    (a) Except as otherwise set forth in the Engagement Letter, in accepting this engagement, Client acknowledges that completion of this engagement or acceptance of Deliverables resulting from this engagement will not constitute a basis for Client's assessment or evaluation of internal control over financial reporting and disclosure controls and procedures, or its compliance with its principal officer certification requirements under Section 302 of the Sarbanes-Oxley Act of 2002 (the "Act"). This engagement shall not be construed to support Client's responsibilities under Section 404 of the Act requiring each annual report filed under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 to contain an internal control report from management.

    (b) KPMG may communicate with Client by electronic mail or otherwise transmit documents in electronic form during the course of this engagement. Client accepts the inherent risks of these forms of communication (including the security risks of interception of or unauthorized access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices) and agrees that it may rely only upon a final hardcopy version of a document or other communication that KPMG transmits to Client.

    (c) For engagements performed in California or where the services provided by KPMG fall under the jurisdiction of California law, rule or regulation, Client acknowledges that certain of KPMG's personnel that have an ownership interest in the partnership and who may provide services in connection with this engagement may not be licensed as certified public accountants under the laws of any of the various states.

20. **Entire Agreement**. These terms, and the Engagement Letter including Exhibits hereto and thereto, constitute the entire agreement between KPMG and Client with respect to this engagement and supersede all other oral and written representation, understandings or agreements relating to this engagement.

Exhibit A

Dispute Resolution Procedures

The following procedures are the sole methodologies to be used to resolve any controversy or claim ("dispute"). If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

Any party may request mediation of a dispute by providing a written Request for Mediation to the other party or parties. The mediator, as well as the time and place of the mediation, shall be selected by agreement of the parties. Absent any other agreement to the contrary, the parties agree to proceed in mediation using the CPR Mediation Procedures (Effective April 1, 1998), with the exception of paragraph 2 which shall not apply to any mediation conducted pursuant to this agreement. As provided in the CPR Mediation Procedures, the mediation shall be conducted as specified by the mediator and as agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach a consensual resolution of the dispute. The mediation shall be treated as a settlement discussion and shall be confidential. The mediator may not testify for any party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceeding. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

Arbitration

Arbitration shall be used to settle the following disputes: (1) any dispute not resolved by mediation 90 days after the issuance by one of the parties of a written Request for Mediation (or, if the parties have agreed to enter or extend the mediation, for such longer period as the parties may agree) or (2) any dispute in which a party declares, more than 30 days after receipt of a written Request for Mediation, mediation to be inappropriate to resolve that dispute and initiates a Request for Arbitration. Once commenced, the arbitration will be conducted either (1) in accordance with the procedures in this document and the Rules for Non-Administered Arbitration of the CPR Institute for Dispute Resolution ("CPR Arbitration Rules") as in effect on the date of the engagement letter or contract between the parties, or (2) in accordance with other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this document and the CPR Arbitration Rules will control.

The arbitration will be conducted before a panel of three arbitrators, two of whom may be designated by the parties using either the CPR Panels of Distinguished Neutrals or the Arbitration Rosters maintained by any JAMS Office in the United States. If the parties are unable to agree on the composition of the arbitration panel, the parties shall follow the screened selection process provided in Section B, Rules 5, 6, 7, and 8 of the CPR Arbitration Rules. Any issue concerning the extent to which any dispute is subject to arbitration, or any dispute concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the Federal Arbitration Act and resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitration panel shall issue its final award in writing. The panel shall have no power to award non-monetary or equitable relief of any sort. Damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages, shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the CPR Arbitration Rules. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The award reached as a result of the arbitration will be binding on the parties, and confirmation of the arbitration award may be sought in any court having jurisdiction.